

October 3, 2007

Dear Friends and Business Partners of Cal Expo:

The Cal Expo Board of Directors, at its September 28, 2007 meeting, voted unanimously to authorize staff and the Real Estate Committee of the Board to enter into discussions with the National Basketball Association (NBA) concerning its proposal to build an Arena and upgrade and redevelop the Cal Expo facilities.

The Board's action is predicated on a strong desire to pursue opportunities which would provide the resources for the facility improvements needed for the Fair and today's consumer and tradeshow environment. Given that no monies are expected to be available through the State or legislative budget process, Cal Expo's future lies in potential development opportunities like the one presented by the NBA.

What does this all mean?

Cal Expo representatives will be meeting with the NBA soon to learn more about its proposal. An Arena at Cal Expo will require some redevelopment of the property which is anticipated to include new and upgraded facilities and some level of commercial development which would pay for the Arena and the redevelopment. The details of this will be disclosed as we begin the discussions.

The purpose of this letter is to inform you that Cal Expo has only agreed to begin a process with the NBA, which may or may not conclude in an Agreement. The Board is mindful that any Agreement and redevelopment plan must enhance and improve the State Fair and all the other Cal Expo (non Fair) events held on a year round basis. Without these assurances, the project will not move forward. If there is a successful outcome to these discussions, construction and redevelopment would not likely start for 4-5 years.

We are mindful of your interest in this project and will do our best to share information as it becomes available. In the meantime, feel free to contact my office or Brian May at 263-3061 for further information.

Thank you.

Sincerely,

CALIFORNIA EXPOSITION & STATE FAIR

Norbert J. Bartosik General Manager/CEO

NJB:lvc

cc Board of Directors Cal Expo Staff